

City of Detroit

CITY COUNCIL

IRVIN CORLEY, JR.
FISCAL ANALYST
(313) 224-1076

FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX: (313) 224-2783
E-Mail: cc-fiscal@ci.detroit.mi.us

ANNE MARIE LANGAN
ASSISTANT FISCAL ANALYST
(313) 224-1078

TO: Douglass Diggs, Director of Activities
Planning & Development Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 28, 2006

RE: 2006-2007 Budget Analysis **(REVISED)**

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2006-2007 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:cyb

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Pamela Scal, Budget Department Director
Tanya Mason, Budget Department Team Leader
Roger Short, Interim Chief Financial Officer
Kandia Milton, Mayor's Office

Planning Development Department (36)

FY 2006-07 Budget Analysis by the Fiscal Analysis Division

Summary

The Planning Development Department is a General Fund agency.

The recommended 2006-07 Budget totals \$55.4 million. This represents a \$4.49 million reduction (7.5%) from the current fiscal year.

The department's net tax cost is \$(23,547,901), which increases \$10,261,114. This is due primarily to a corresponding decrease in City revenues of \$10.7 million.

In the recommended budget, the department receives 61.3% of its revenues from federal grants, which consists of Community Development Block Grant funds, and HOME Program funds. The Mayor anticipates that the department will receive \$3 million less in grant revenues in the upcoming fiscal year.

The City Council deliberates over the federal dollars in the budget during its review and approval of the city's Consolidated Plan that is submitted to HUD. Consequently, this budget analysis concentrates on the General Fund and Capital Improvement budgets of the department.

The Mayor recommends a capital improvement budget of zero, which is a \$1 million decrease from the current year's budget.

The Mayor recommends a net decrease of 49 positions, consisting of 7 City positions and 42 grant positions.

2005-06 Surplus/(Deficit)

The Mayor anticipates a net deficit for the department in the amount of \$3,893,780. The deficit consists of a revenue deficit of \$4 million, offset by an appropriation surplus of \$106,000. The deficit is due primarily to lower than expected property sales.

Overtime

The department's overtime budget for 2005-06 is \$43,152. As of March 31, 2006, the department has spent \$9,833 (1.6%) on overtime. The Mayor recommends \$17,000 in overtime for the department in 2006-07.

Personnel and Turnover Savings

The Mayor recommends no turnover savings for the department in the 2006-07 Budget.

The following is information by appropriation comparing FY 2005-06 positions, as of March 31, 2006 filled positions and FY 2006-07 recommended positions:

Appropriation/Program	Budgeted Positions FY 2005-06	Filled Positions 3/31/2006	Mayor's Budget Positions FY 2006-07	Over/(Under) Actual to 05/06 Budget	Mayor's Recommended Turnover
Planning & Development Department (36)					
00015 Real Estate-City	26	23	18	(3)	\$ -
360105 Planning-City	2	2	2	0	\$ -
360145 Development City	10	8	11	(2)	\$ -
00883 Development-City	12	10	13	(2)	\$ -
360010 Administration	28	25	23	(3)	\$ -
360012 Grants/MIS	12	9	8	(3)	\$ -
360013 Financial Management	16	14	13	(2)	\$ -
360015 Contract Compliance	12	12	11	0	\$ -
06040 PDD Administration-BG	68	60	55	(8)	\$ -
360060 Development BG	24	22	18	(2)	\$ -
360100 Planning BG	20	16	14	(4)	\$ -
360120 Real Estate BG	4	3	3	(1)	\$ -
06044 Development-BG	48	41	35	(7)	\$ -
06106 Home Program 94 Administration	10	0	8	(10)	\$ -
360037 Neighborhood Development - Public	0	9	0	9	\$ -
360041 Neighborhood Development	0	0	0	0	\$ -
360090 Housing Services	46	41	35	(5)	\$ -
06667 NRR Rehab. Program Staff	46	50	35	4	\$ -
11134 Ofc. of Neighborhood Development	3	0	3	(3)	\$ -
360036 Neighborhood Development-Admin.	12	11	8	(1)	\$ -
360037 Neighborhood Development-Public	0	4	4	4	\$ -
360038 Comm. Based Org/Eco Dev Tech	6	3	4	(3)	\$ -
11494 Comm. Based Org/Eco Dev Tech Asst	18	18	16	0	\$ -
11815 Emergency Shelter Staff-PDD	1	0	0	(1)	\$ -
11884 CDC Admin. Operations	1	0	1	(1)	\$ -
36XXXX Cost Center Not on File	0	8	0	8	\$ -
36XXXX Leave of Absence	<u>0</u>	<u>(1)</u>	<u>0</u>	<u>(1)</u>	<u>\$ -</u>
TOTAL	<u>233</u>	<u>201</u>	<u>184</u>	<u>(32)</u>	<u>\$ -</u>

Proposed Layoffs and Vacant Position Reductions

The 2006-07 Budget requires layoffs in the Planning Development Department. The department is losing a net total of 49 positions (7 City positions and 42 grant positions). The Mayor's recommendation of reductions of positions is detailed below:

Effective: July 1, 2007								
2005-2006 Positions	FY 05-06 Eliminated	Deletes	Vacant	Layoff	Trsf	Adds	Agency Total	2006-07 Total
233	(7)	0	(27)	(24)	0	9	(49)	184

The Mayor's recommended 24 layoffs are detailed as follows:

Title	General Fund No.	Grant Fund No.	Total
Senior Development Specialist	5		
Office Asst III	1		
Office Asst II	1		
Office Asst II		2	
Office Asst III		2	
Senior Accountant		3	
Senior Development Specialist		2	
Principal Accountant		1	
Senior Clerk		1	
Associate Development Specialist		2	
Sr Associate Architect		1	
Housing Rehab Spec Lead Cert		3	
PDD Total	7	17	24

Significant Funding by Appropriation

Appro. Program

00014	Community Development	This appropriation decreases by \$353,000 due primarily to decreases of \$200,000 for property taxes, \$100,000 for security costs that transfer over to the General Services Department; \$49,000 reduction in legal costs (based on budgeted actuals), \$35,000 reduction in advertising, \$27,000 reduction in utilities-water, and a \$29,000 reduction in title information. The decreases are offset by an \$80,000 increase in repairs & maintenance buildings and a \$22,000 increase in utilities-sewer.
00015	Real Estate - City	This appropriation decreases by \$504,000. The reduction is due primarily to a \$196,000 decrease in salaries related to the loss of 8 positions, a decrease of \$125,000 in the cost related to block grant reimbursements (indirect costs), a \$73,000 reduction in (distributed costs), a \$122,000 reduction in legal costs for reimbursements to the Law Department, offset by a \$9,900 increase for employee parking.
00595	Economic Dev. Corporation	The City's contribution for the Economic Development Corporation increases by \$150,000 in 2006-07 FY, essentially restoring the EDC to prior levels, at \$300,000 in the 2006-07 FY (\$300,000 in FY 2004-05).
00597	Economic Grow. Corporation	The City's contribution for the Detroit Economic Growth Corporation increases by \$500,000 in 2006-07 FY, essentially restoring the EGC to prior levels, at \$1 million (\$1,000,000 in FY 2004-05).

00883	Development - City	This appropriation increases by \$217,000 due primarily to a \$170,000 increase in org 36-0145 Development City and the addition of one position; and a \$46,000 increase in org 36-0105 Planning City, due primarily to a \$11,000 increase in (indirect costs), and a \$11,000 increase in (distributed costs), and salary & fringes increases.
11134	Off. of Neigh Development	This appropriation increases slightly by \$74,000 in 2006-07 FY, due primarily to salary and fringes increases.

Significant Revenue Change by Appropriation and Source

Appro. Program

00014	Community Development	Revenue source decreases by \$10.2 million due primarily to a \$10 million decrease in the sales of City real property, a \$199,000 reduction in Miscellaneous Receipts, a \$40,000 decrease in Rental-Public Buildings and the elimination of \$30,000 for Interest on Contract Sales.
00883	Development - City	This revenue decreases by \$471,000, due to the elimination of \$298,000 in Miscellaneous Receipts revenue from revenue org 36-0145 Development City; and a \$172,000 reduction in Miscellaneous Receipts revenue in Planning-City, due to an anticipated reduced demand for permit applications as a result in a change in the Zoning Ordinance.

Planning and Development (36)

Budgeted Professional and Contractual Services by Activity	FY 2005-06 Budget	FY 2006-07 Recommended	Increase (Decrease)
Administration	\$ 520,000	\$ 429,074	\$ (90,926)
Development	-	-	-
Planning	733,759	-	(733,759)
Bonded Capital Projects	-	-	-
Office of Neighborhood Commercial	-	-	-
Total	<u>\$ 1,253,759</u>	<u>\$ 429,074</u>	<u>\$ (824,685)</u>

Professional and Contractual Services are decreased by 65.8% in 2006-07.

Issues and Questions

Twenty-four of the net reduction of forty-nine positions in the department will result in **layoffs** in FY 2006-07 (positions detailed on page two). Seven are General fund Positions and seventeen are Block Grant Funded positions.

Twenty-seven of the positions removed from the PDD 2006-07 budget are *vacant* positions. Seven of the positions were removed mid-year in the current (2005-06) fiscal year.

According to the Budget Department, PDD indicates that the proposed layoffs in the upcoming fiscal year will have a *minimal impact* on daily operations.

- Regarding the twenty-four layoffs, seventeen of the layoffs are grant funded. The rationale for layoffs has been to provide relief to the General Fund as a measure of last resort, how does laying off seventeen grant funded individuals meet this objective?

Administration

- **(Pg. 36-2)** One of the **Major Initiatives for FY 2005-06 and FY 2006-07** is to Implement a document imaging and management system. What is the status of this project and what is the timetable for its completion? What is the name of the document imaging system? What are the costs associated with the system's implementation? How will the full implementation of a document imaging system impact daily operations? Please explain what dollars will pay for the system and its implementation; either General Fund dollars or Grant dollars, or both?
- **(Pg. 36-2)** What is the status and nature of the changes required by HUD in IDIS? How much does it cost?

ADMINISTRATION MEASURES AND TARGETS

	2003-04 Actual	2004-05 Actual	2005-06 Projection	2006-07 Target
Outcomes: Results or Impacts of Program Activities				
Community and economic development projects	360	275	300	300
Amount of dollars expended	\$62,996,309	\$50,000,000	\$50,000,000	\$65,000,000
Activity Costs	\$5,837,175	\$5,754,673	\$5,401,187	\$5,358,736

- **(Pg. 36-3)** In the measures and targets category above, the department completed 360 in Community and economic development projects after expending \$62,996,309 for this activity. The actual and projection of Community and economic development projects for 2004-05 and 2005-06 was 275 and 300 respectively after expending \$50,000,000 towards this activity in both fiscal years. Why has the target for Community and economic development projects remained at 300 for 2006-07, when the amount of dollars expended for this activity have increased significantly (30%) in 2006-07, beyond even the \$62,996,309 of the 2003-04 FY.

Real Estate Development Division

- **(Pg. 36-6)** Under **Major Initiatives for FY 2005-06 and FY 2006-07** of the Executive Budget, what are the cost associated with DPIS (Detroit Property Information System)? When is the anticipated implementation date? What is the cost of DPIS? What is the system's projected impact on revenue?

- **(Pg. 36-6)** Has the department developed a comprehensive development incentive strategy (Renaissance Zone, Brownfield NEZs Industrial Development Districts, etc.)? If so, what is it?
- One of the stated objectives under **Planning for the Future for FY 2005-06, 2006-07** ...Is to facilitate the development of affordable home ownership opportunities for low-income households? Specifically, what steps does the department plan to take to meet this objective?
- Tiger Stadium has been in the news lately. What are the plans for this structure and parcel? Also, during Super Bowl week Tiger Stadium was open for a concert. What amount of revenue did the City receive for this event? When events of this nature occur, where is the revenue reflected, and who collects the revenue?
- What is the impact on operations of the 2005-06 reductions for EDC (\$150,000) and EGC (\$500,000)?
- **(Pg. 36-33) Capital Improvements**
- What is the current status of the Brush Park development and what is the current projected timetable of completion?

Office of Neighborhood Commercial Revitalization

- **(Pg. 36-47)** What are the five “Re\$tores Detroit! Districts”?
- So far, what are this division’s major accomplishments in the five “Re\$tores Detroit! Districts”?
- What specific goals and objectives does the division plan to complete in the 2006-07 fiscal year?
- It appears from the target for FY 2006-07 **(Pg. 36-48)** the number of districts will expand from five to eight. Is this accurate? If so, have the three new districts been selected?

Revenue

- **(Pg. 36-51) 0014 Community Development - 464100 Sales of City Real Property** Under this revenue appropriation, the Mayor is anticipating revenue of **\$30 million** in FY 2006-07. Unfortunately, however, as of April 20, 2006, to-date the department has only collected approximately \$2.2 million in revenue overall in revenue appropriations. Based on 2004-05 revenue actuals, PDD collected only \$6.7 million in total general fund revenue.
- What is the rationale for this anticipated level of revenue?
- Are there any pending large land sales which are imminent or anticipated to be completed before the end of the fiscal year? Even with a projected deficit of \$4 million in property sales for 2005-06, the Mayor anticipates selling approximately

\$29 million in property sales to help address the City's overall deficit by June 30, 2006. How realistic is it to realize the revenue and close on these sales by June 30th?

- What is the anticipated impact of the net loss of 49 positions on the department's day-to-day operations in the upcoming fiscal year?

IC:DH